



Los Angeles County Office of Education

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Debra Duardo
Superintendent

August 29, 2023

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Dr. James Morris, County Administrator
Inglewood Unified School District
401 South Inglewood Avenue
Inglewood, CA 90301

Dear Dr. Morris:

The Los Angeles County Superintendent of Schools (County Superintendent) has received and completed our review of the Inglewood Unified School District's (District) Local Control and Accountability Plan (LCAP) and Adopted Budget for fiscal year 2023-24. Please be advised that during the formal LCAP review process, district staff made technical corrections to the district adopted plan. Please post the updated 2023-2024 LCAP with these corrections on the district website.

LCAP APPROVAL

Pursuant to the provisions of Education Code (EC) §52070(d), the criteria for LCAP approval are as follows:

1. Adherence to the State Board of Education (SBE) Template
2. Sufficient Expenditures in Budget to Implement LCAP
3. Adherence to SBE Expenditure Regulations
4. Calculation and Implementation of Carryover

Based upon our review, we have determined the **District's LCAP meets all of the criteria, and is approved.**

We remind districts that Supplemental and Concentration (S&C) grant funding is included in the Local Control Funding Formula (LCFF) to increase and/or improve services to low-income, English learner and foster youth student populations. To properly serve these targeted student groups who generated the funding, it is expected that S&C grant funds, including any calculated carryover, be fully expended in each fiscal year.

BUDGET APPROVAL

Pursuant to EC Section 42127, the County Superintendent has completed our review and analysis of your District’s Adopted Budget for fiscal year 2023-24. **That review has resulted in approving the District’s budget** with the following comments and concerns.

FISCAL STABILIZATION PLAN

In our review of the District’s 2023-24 Adopted Budget Report, we noted the District submitted an updated Fiscal Stabilization Plan (FSP) that identifies revenue enhancements and expenditure reductions totaling \$11.05 million for 2023-24, \$8.35 million for 2024-25, and \$11.12 million for 2025-26. According to staff, a portion of the cost savings and expenditure reductions in 2023-24 and 2024-25 have been included in the Adopted Budget General Fund multi-year projections. While the District has made progress towards fiscal stability and meeting the conditions of Assembly Bill (AB) 1840, it is imperative that the District continue to implement the FSP’s revenue enhancements and expenditure reductions to sustain its fiscal stability. As such, **we require the District to provide an update on the Board-approved FSP with the 2023-24 First Interim Report, due to our office by December 15, 2023.** The FSP update must include the implementation status of the planned reductions including alternative options for contingent expenditure reductions and/or revenue enhancements.

DEFICIT SPENDING

The District is projecting an operating deficit of approximately \$13.52 million, representing 12.56 percent of the Unrestricted General Fund budgeted expenditures and other outgo for fiscal year 2023-24. The District is also projecting operating deficits of \$3.56 million or 4.00 percent, and \$11.12 million or 12.07 percent, for 2024-25 and 2025-26, respectively. According to our review of the District’s Adopted Budget data and assumptions, and as confirmed by the District, these projected deficits are primarily due to LCFF S&C expenditures, declining enrollment, and increasing contributions to pension and special education program costs. As a result, the District’s Unrestricted General Fund balance is projected to decrease as illustrated in the table below.

Unrestricted General Fund Projections (\$ millions)

	<u>2023-24</u>	<u>2024-25</u>	<u>2025-26</u>
Beginning Fund Balance	\$43.14	\$29.62	\$26.06
Projected Deficit Spending	<u>(\$13.52)</u>	<u>(\$3.56)</u>	<u>(\$11.12)</u>
Ending Fund Balance	\$29.62	\$26.06	\$14.94

The Unrestricted General Fund is projected to decrease from a beginning balance of \$43.14 million in 2023-24 to an ending balance of \$14.94 million in 2025-26, **a decline of approximately \$28.20 million, or 65.67 percent over three years.** We acknowledge the District’s efforts to adhere to the State Board of Education’s LCAP guidance and reflect full expenditure of S&C funds, including prior year carryover, however, we remain concerned about the projected trend of deficit spending and its impact on the District’s ability to maintain minimum required reserves in future years. We recommend the District monitor the causes for deficit spending in order to keep it manageable and to minimize further erosion of the fund balance.

DECLINING ENROLLMENT/ATTENDANCE AND REDUCTED STATE FUNDING

The District’s 2023-24 Adopted Budget reflects declining enrollment, inclusive of the City Honors and La Tijera Charter Schools, of 6,831 for 2023-24, 6,655 for 2024-25 and 6,467 for 2025-26, with projected funded three-year average daily attendance (FADA) of 7,300, 6,531 and 6,156, respectively. The estimated impact on the District’s projected FADA reflects a two-year loss totaling 1,144 FADA, representing a 15.67 percent decrease from the District’s 2023-24 FADA. The District’s FADA is greater than its projected enrollment due to the District using an average of the prior three years' average daily attendance (ADA) to calculate its LCFF entitlement.

Declining Enrollment / Funded ADA

	<u>2023-24</u>	<u>2024-25</u>	<u>2025-26</u>	<u>Difference</u>
Enrollment	6,831	6,655	6,467	(364)
Funded ADA	7,300	6,531	6,156	(1,144)

Assembly Bill 181 of the 2022-23 Budget Trailer Bill codified changes to the funding methodology used for LCFF calculations to mitigate against the precipitous enrollment and attendance losses due to the impact of COVID-19. Continued declines in enrollment and attendance will result in a loss of revenue for the District in future years. We recommend that the District carefully monitor its enrollment and attendance trends, and adjust financial projections for the current and subsequent fiscal years accordingly to reflect the resulting impact. Staffing needs and facilities planning should also be assessed and adjusted based on the projected rate of decline in enrollment.

Declining enrollment districts with charter schools must consider the effect of the movement of district ADA to district-authorized charter schools. ADA for students who attended a district non-charter the previous year, and who now attend a district-authorized charter, is deducted from prior year ADA for purposes of calculating declining enrollment ADA. However, ADA for students who

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attended a district-authorized charter school the previous year, and who now attend a district, is added to prior year ADA for purposes of calculating declining enrollment ADA.

LABOR CONTRACT NEGOTIATIONS

According to our review, both certificated and classified labor contract negotiations for 2023-24 are not settled and potential changes have not been calculated and incorporated into projected salary and benefit expenditures. As a reminder, before the District's Board of Education takes any action on a proposed collective bargaining agreement, the District must meet the public disclosure requirements of Government Code Section 3547.5 and the California Code of Regulations Title V, Section 15449. The document used for this analysis is included in Informational Bulletin No. 6733, dated July 25, 2023, and is titled "2023-24 Forms for Assembly Bill (AB) 1200: Public Disclosure of Proposed Collective Bargaining Agreements." This document can be found at the following website:

<https://www.lacoe.edu/BusinessServices/DocumentsForms.aspx>

CASH FLOW

Although the District's submitted cash flow reflects sufficient cash balances to meet 2023-24 financial obligations, the monthly projections of cash outflows are not representative of actual cash needs. While the District has a Board-approved inter-fund borrowing resolution in place with cash available in other funds to address any potential shortfalls during the year, we remind the District to notify the County Office immediately if a cash shortfall is projected that cannot be covered through local means. **Additionally, we request the District provide a Board-approved updated General Fund cash flow to the County Office by the 15th day of each month.**

CHARTER SCHOOLS OVERSIGHT

Education Code Section 47604.32 requires authorizing districts to ensure each charter school under its authority complies with all reports required by law, and to monitor the fiscal solvency of those charter schools. While all of the district-authorized charter schools are projecting positive ending balances for the 2023-24 Adopted Budget, EC Section 47604(c) specifies that an authorizing entity is not liable for the debts or obligations of an insolvent charter school if it has complied with all oversight responsibilities required by law. We remind the District of their oversight responsibilities and the potential negative effect of the charter school's liabilities on the District's General Fund and reserves if those responsibilities are not met.

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SUBMISSION OF STUDIES, REPORTS, EVALUATIONS, AND/OR AUDITS

EC Sections 42127 and 42127.6 require districts to submit to the County Superintendent any studies, reports, evaluations, or audits completed of the district that contain evidence that the district is showing fiscal distress. They also require the County Superintendent to incorporate that information into our analysis of budgets, interim reports, and the district's overall financial condition.

We request that the District submit any such documents to this office that are commissioned by the District (e.g., reports completed by the Fiscal Crisis and Management Assistance Team), or by the State Superintendent of Public Instruction, and/or a State control agency, and an internal audit division any time they are received by the District.

CONCLUSION

We wish to express our appreciation to the District's staff for their cooperation during our review of the District's LCAP and Adopted Budget for fiscal year 2023-24. If you have questions regarding your District's LCAP approval, please call Adrienne Balcazar at (562) 922-6354. If you have questions regarding your District's budget approval, please call Dionisio Brache at (562) 922-6802.

Sincerely,



Debra Duardo, M.S.W., Ed.D.
Superintendent

DD/DB:lm

- c: Brandon G. Myers, Board President, Inglewood Unified School District (IUSD)
- Marguerite Williams, Ed.D., Chief Business Official, IUSD
- Bernadette C. Lucas, Ed.D., Chief Academic Officer, IUSD
- Dawnyell Goolsby, Ed.D., Executive Director of State and Federal Programs, IUSD
- Tony Thurmond, State Superintendent of Public Instruction,
California Department of Education (CDE)
- Mary Nicely, Ed.D., Chief Deputy Superintendent of Public Instruction, CDE
- Abel Guillen, Deputy Superintendent Operations & Administration Branch, CDE
- Malia M. Cohen, California State Controller
- Michael H. Fine, Chief Executive Officer, Fiscal Crisis and Management Assistance Team
- Karen Kimmel, Los Angeles County Office of Education (LACOE)

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